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# THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON D. C.

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## SUMMARY

The demand for farm products continues at a high level as improving business activity and employment generate an increased flow of income to consumers. Steel output and automobile production were near record rates in mid-January. However, work stoppages curtailed operations in these industries in late January and early February. Prices generally remain fairly stable.

Government activity in 1950 will continue to provide strong support to the domestic economy as Federal Government expenditures will continue at a high level. In addition State and local Government expenditures are expected to continue to expand, particularly for construction of schools and highways. Total cash outlays by all Government in the United States in calendar 1950 are expected to be 4-4 1/2 billion dollars larger than in 1949. The major part of this increase will be the 2.8 billion dollars insurance refund now being distributed to World War II veterans.

The level of U. S. exports in the second half of 1949 was the lowest since the first half of 1946, before any of the major postwar foreign aid programs was underway. The reduction in foreign aid expenditures proposed in the President's Budget Message is likely to result in smaller foreign takings of U. S. exports, including agricultural commodities, later this year.



## ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948		1949			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production 1/	1935-39						
Total .....	= 100	192	192	174	166	173	178
All manufactures .....	do.	198	199	184	176	178	186
Durable goods .....	do.	225	231	199	175	180	202
Nondurable goods .....	do.	177	173	172	177	177	174
Minerals .....	do.	155	156	119	112	141	131
Construction activity 1/	1935-39						
Contracts, total .....	= 100	331	314	429	458	462	465
Contracts, residential .....	do.	397	355	623	659	645	
Wholesale prices 2/							
All commodities .....	1926=100	165	162	154	152	152	151
All commodities except farm and food .....	do.	151	153	145	145	145	146
Farm Products .....	do.	188	177	163	160	157	155
Food .....	do.	199	170	162	160	159	156
Prices received and paid by farmers 3/	1910-14						
Prices received, all prod....	= 100	285	266	247	242	237	233
Prices paid, interest, taxes and wage rates ..	do.	259	257	248	246	245	246
Parity ratio .....	do.	110	104	100	98	97	95
Consumers' price 2/ 4/	1935-39						
Total .....	= 100	171	171	170	168	169	168
Food .....	do.	210	205	204	201	201	197
Nonfood .....	do.	149	152	150	150	150	151
Income							
Nonagricultural payments 5/	Bil. dol.	188.8	193.6	193.1	191.2	191.9	
Income of industrial workers 3/ .....	1935-39 = 100	354	360	331	308		
Factory payrolls 2/	do.	374	384	357	342		
Weekly earnings of factory workers 2/							
All Manufacturing .....	Dollars	54.14	56.14	55.72	55.26	54.53	56.20
Durable goods .....	do.	57.11	59.67	58.84	58.03	57.00	59.31
Nondurable goods .....	do.	50.61	51.84	52.59	52.51	52.02	53.02
Employment							
Total civilian 6/ .....	Millions	59.4	59.4	59.4	59.0	59.5	58.6
Nonagricultural 6/ .....	do.	51.4	52.1	51.3	51.3	51.6	51.8
Agricultural 6/ .....	do.	8.0	7.4	8.2	7.7	7.9	6.8
Government finance (Federal) 7/							
Income, cash operating .....	Mil. dol.	3,748	4,106	4,915	2,046	2,965	
Outgo, cash operating .....	do.	3,075	4,243	3,848	3,268	3,430	
Net cash operating income or outgo .....	do.	+673	-137	+1,067	-1,222	-465	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.



Commodity highlights

Prices of hogs are expected to increase seasonally in the next month or two, but prices of top grades of cattle may decline somewhat. Prices received by farmers for eggs through the next three or four months are not likely to decline from present levels. In the next two or three months farmers are not expected to receive substantially higher prices for chickens than in mid-January. During the first half of 1950 prices of feed grains and byproduct feeds probably will average near the level in that period of 1949. Prices received by growers for most fruits this winter are expected to advance from January. Prices of commercial truck crops produced for fresh market shipment are expected to average lower in February and March than a year earlier. Retail prices of commercially canned vegetables this winter are expected to be slightly lower than at the same time last year. Exports of tobacco during 1950 are likely to be a little lower than in 1949 as further efforts are made by European countries to conserve dollars.

## THE PRESIDENT'S BUDGET MESSAGE

The Federal budget presented by the President to the Congress on January 9 projected Federal expenditures of 42.4 billion dollars for the fiscal year ending June 30, 1951. This would be .9 billion less than the estimated expenditures for the current fiscal year. Expenditures for international affairs and finance are expected to be reduced from about 6.0 billion dollars to 4.7 billion, while those for national defense are to increase about .4 billion to 13.5 billions. Budget expenditures for national defense, international affairs, veterans' services and interest on the public debt will account for about 71 percent of the total compared with an estimated 73 percent for the current fiscal year. All other expenditures are expected to increase from about 11.6 billions in fiscal year 1950 to about 12.5 billion in fiscal year 1951.

If appropriations for these expenditures are approved by the Congress, Federal cash payments in calendar year 1950 will increase for the third straight year. Cash payments by all Government, including Federal, State and local are expected to be about 4 to 4 1/2 billions greater in calendar 1950 than in 1949. The largest part of this increase will represent payments of national insurance dividends, which will place about 2.8 billion dollars in veterans' hands during the year. However, an expected reduction in foreign aid expenditures may result in smaller foreign takings of U.S. exports, including agricultural commodities, in the second half of the year.

## OUTPUT AND EMPLOYMENT

The dollar value of all goods and services produced (gross national product) in 1949 was estimated at 258.7 billion dollars, 1.5 percent below 1948. Small declines in both prices and real output contributed to the drop. Real output is estimated to have declined about 1 percent from 1948, with a drop of about 5 percent in output of goods being largely offset by a rise in services.



Industrial production in 1949 was about 8 percent lower than in 1948, the Federal Reserve Board's index of industrial production averaging 176 (1935-39=100) for the year compared with 192 in 1948. Industrial output in July was at a low point 17 percent below its peak. Since July output has recovered substantially. The index rose to 178 in December, an increase of 11 percent from the July low but still 9 percent below the peak in October and November 1948. Output in January was higher than in December, according to preliminary indications.

Durable goods production in 1949 was about 11 percent lower than in 1948. Recovery from the July low has been substantial, however, and in December the index of durable goods output reached 202, 9 percent above July. A renewal of full scale operations in the automobile industry and further increases in steel output in January are likely to result in an even higher rate of total durable goods output than in December. The automobile industry, after producing a record 6.2 million motor vehicles in 1949, stepped up operations on new models in early January. In late November and early December, model change-overs and steel shortages reduced production to relatively low levels. Steel production in early January also was at a high rate as backlogs resulting from the stoppage in October and early November were being met. Lumber production in December and early January continued at a high rate, reflecting the strong demand stemming from high construction activity.

Nondurable goods output in 1949 also was lower than in the previous year. The index of nondurable goods production averaged 168 in 1949, 5 percent lower than in 1948. After declining to a low of 154 in July, output of these goods recovered rapidly, and by November, the index of total output of nondurable goods had increased to 177, only 2 percent below its peak. In December, nondurable goods production declined slightly as activity in the paper and paperboard, textile and food processing industries fell below the rates of November.

Sharply lower rates of coal output and lower crude petroleum production were largely responsible for the decline in total minerals production from 1948 to 1949. The index of total minerals output averaged 135 in 1949, 13 percent below the previous year. Reaching a low point in October when coal mining operations were drastically curtailed, output of minerals recovered much of the decline in November when coal miners returned to work on a 5 day a week basis. In December, however, production of minerals again declined as coal miners returned to the 3-day work week and crude petroleum production decreased slightly.

Expenditures on new construction in 1949 reached a record total of 19.3 billion dollars, .5 billion or 3 percent greater than in 1948. New private construction started during the year was valued at 14.1 billion dollars, a decline of .5 billion from 1948, while public expenditures for new construction, at 5.3 billion dollars, was up more than 1 billion from the previous year.



About 7 billion dollars was spent on private housing during 1949. This was 3 percent less than in 1948 despite the record number of new dwelling units started during the year and reflected for the most part slightly lower building costs and the construction of a larger number of less expensive dwellings.

Expenditures on private industrial and commercial structures declined significantly from 2.6 billion in 1948 to 2.0 billion in 1949. During the last ~~few months~~ of 1949, however, the increasing volume of contract awards for commercial structures indicates that the downward trend in expenditures on this type of construction may have halted.

Public outlays increased substantially from 1948 to 1949. Federal, State and local public agencies spent about 5.3 billions on new construction in 1949, a rise of 25 percent over the previous year. New schools, hospitals, and public housing accounted for most of the total increase.

Total civilian employment declined from 59.5 million in November to 58.6 million in December as a result of a seasonal drop in farm employment. Employment averaged 58.7 million in 1949, about 700,000 below 1948. Non-agricultural employment rose to a total of 51.8 million in December, compared with 51.6 million in November and 52.1 million in December 1948. The rise marked a continuation of the upward trend from the low point of 50.1 million in May 1949. For the whole of 1949, average employment in non-agricultural industries, at 50.7 million, was 700,000 below 1948. Reflecting the greater decline from November to December in total civilian employment than in the civilian labor force, the number of unemployed increased slightly to 3.5 million persons. In 1949, unemployment averaged 3.5 million persons or about 5 percent of the labor force compared with an average of 2.1 or about 3 percent in 1948. Hours worked in nonagricultural industries averaged ~~about~~ half an hour a week less than in 1948. As a result of the shorter average work week and the smaller average employment in nonagricultural industries, total man hours worked were 2 percent below 1948.

#### INCOME AND RELATED FACTORS

Total personal income in November rose to a seasonally adjusted annual rate of 209.7 billion dollars from 209.0 billion in October but was below the 216.6 billion for November 1948. A rise in transfer payments and small increases in income of nonagricultural proprietors and in dividend payments accounted for most of the increase in the total. Salary and wage receipts in November, at an annual rate of 133.6 billion were about the same as in October. Larger pay rolls resulting from the resumption of steel and coal mining operations were offset by a decline in wages in the automobile, apparel, food processing and distributive industries. Personal income in December was probably somewhat higher than in November, although a definite estimate for that month is not yet available.

Total income in 1949 is tentatively estimated at 211.7 billion dollars, compared with 211.9 billion in 1948. Salary and wage receipts and other labor income increased from 135.1 billion in 1948 to 136.8 billion



in 1949. Income from dividends and interest payments were also higher than in the previous year, and transfer payments rose by almost **1 billion** dollars. These increases were largely offset, however, as proprietors' and rental income declined from 49.7 billion in 1948 to 45.7 billion in 1949, reflecting for the most part the sharp drop in farm proprietors' income resulting from the decline in prices of agricultural commodities.

Disposable personal income in 1949 is estimated at 192.9 billion dollars, compared with 190.8 billion in 1948. Lower income taxes left more income at the disposal of consumers even though the total of personal income received before taxes was fractionally lower in 1949 than in 1948.

December sales at department stores increased substantially over November, after allowance for the usual seasonal change. After lagging behind levels of a year ago early in the month, sales during the two weeks December 10-December 24 reached a record high. During the final week of December and first two weeks in January, however, sales again fell below a year ago. The Federal Reserve Board's index of department store sales, seasonally adjusted was 294 (1935-39=100) in December, compared with 276 in November and 303 in December a year earlier. For the year as a whole dollar sales were 5 percent lower than in 1948, although unit volume was probably maintained as a result of price reductions, sales promotions, and sales of lower-priced lines.

Total consumer expenditures in 1949 are tentatively estimated at 178.5 billion dollars, about the same as in 1948 but 2 percent below the annual rate for the second half of that year. Expenditures were virtually stable throughout the year, moving within the narrow range of about 1 billion dollars (annual rate). The composition of consumer spending in 1949 underwent a significant change with a larger proportion being channeled into durable goods and service lines. Sales of automobiles were especially high, reaching an all-time record. A record total of consumer credit outstanding in 1949 was a factor behind the high level of consumer expenditures. During the year new loans exceeded repayments by about 2.4 billion dollars and total outstandings rose to 18.7 billion dollars or 9.7 percent of disposable income compared with a total of 16.3 billion or 8.5 percent in 1948, and 8.0 billion or 11.4 percent in 1939. Most of the rise in total outstandings was accounted for by automobile sales credit, which increased by 1.2 billion dollars to a total of 3.2 billion at the end of December.

#### COMMODITY PRICES

The general wholesale price level continued to decline fractionally in January. Prices of most groups of commodities during the week ending January 24 were down slightly from those of four weeks earlier. In December, wholesale prices averaged about 7 percent below those of December 1948 and 11 percent below their postwar peak reached in August 1948. Declines in the major groups from December 1948 and from their postwar peak levels were as follows: foods, 8.5 percent and 18 percent, respectively; farm commodities, 12.4 percent and 22 percent; industrial items, 5 percent and 5.3 percent.



For the whole of 1949, wholesale prices averaged 6.1 percent lower than in 1948. The bulk of the decline in prices from 1948 occurred during the first half of the year, when prices of both agricultural and nonagricultural commodities dropped. The slight further decline in the wholesale price level during the second half of 1949 largely reflected further weakness in prices of farm products and foods. Prices of industrial commodities levelled off during this period.

Table 1.- Group indexes of wholesale prices, week ended January 24, 1950  
with comparisons

(1926=100)

Commodity group	Week ended	Week ended	Week ended	Week ended Jan. 24, 1950	
	Jan. 24, 1950	Dec. 27, 1949	Jan. 25, 1949	percentage change from	
				Dec. 27, 1949	Jan. 25, 1949
All commodities	150.7	151.1	159.5	- .3	- 5.5
Farm products	153.2	155.4	169.2	-1.4	- 9.5
Food	154.5	155.8	162.8	- .8	- 5.1
All other than farm and food	145.1	145.5	152.9	- .3	- 5.1
Textile products	137.4	137.5	145.7	- .1	- 5.7
Fuel and lighting materials	130.3	130.6	137.3	- .2	- 5.1
Metals and products	169.4	169.8	175.5	- .2	- 3.5
Building materials	190.4	190.3	202.1	0	- 5.8
Chemicals and allied products	115.8	115.4	132.6	+ .3	-12.7

Bureau of Labor Statistics.

Prices paid by moderate income families in large cities averaged slightly lower in December than in the previous month. The BLS index of consumers' prices in December was 167.5 (1935-39=100) compared with 168.6 in November and 171.4 in December 1948. Most of the decline was accounted for by lower prices paid for food and apparel. Rents continued to increase fractionally, and fuel prices were also slightly higher. In 1949, consumers' prices averaged about 1 percent lower than in 1948; food prices averaged 4 percent lower.

#### REVISED INDEXES OF PRICES RECEIVED AND PAID BY FARMERS

The BAE indexes of prices received and prices paid by farmers have been revised for the period 1910 to date. The nature of the revisions, together with the new series, are described briefly in Supplement 1 of the January 31, 1950 issue of Agricultural Prices. The Agricultural Adjustment Act of 1938, as amended by the Agricultural Acts of 1948 and 1949, specifies that wages paid to hired labor shall be included among the items considered in the computation of parity prices. Consequently, the parity index is now represented by the index of prices paid, interest, taxes and wage rates.



The Act, as amended, also prescribes a new formula for computing parity prices. A description of the new formula, together with an extended list of parity prices, is contained in Supplement 2 to the January 31, 1950 issue of Agricultural Prices. The two supplements, as well as the regular issue of Agricultural Prices, can be obtained upon request to the Division of Economic Information, Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington 25, D. C.

Prices received by farmers in mid-January averaged one percent higher than in the previous month. The revised BAE index of prices received by farmers in mid-January was 235 (1910-14=100), compared with 233 in December and 265 in January 1949. For the year 1949, prices received by farmers averaged 13 percent below the 1948 record. Prices received for all crops increased 4 percent from December as sharply higher prices received for truck crops, and a smaller advance in fruit prices more than offset lower prices for tobacco. Prices received for livestock and products as a group averaged 2 percent lower than in December. Meat animal prices were 2 percent higher, but prices of dairy products dropped 3 percent. Lower prices received for eggs, chickens and turkeys brought the average level of prices received for poultry and eggs combined 19 percent below that of the previous month.

Table 2.- Group indexes of prices received by farmers, January 15, 1950 with comparisons

Group	Index numbers (1910-14=100)			January 15, 1950	
	Jan. 15,	Dec. 15,	Jan. 15,	percentage change from	
	*1950	1949	1949	Dec. 15, 1949	Jan. 15, 1949
Food grains	218	219	233	1/	- 6
Feed grains and hay	170	168	186	+ 1	- 9
Cotton	222	223	246	1/	-10
Tobacco	382	394	404	- 3	- 5
Oil-bearing crops	228	225	294	+ 1	-22
Fruit	185	174	199	+ 6	- 7
Truck crops	261	196	256	+33	+ 2
All crops	219	210	239	+ 4	- 8
Meat animals	286	280	323	+ 2	-11
Dairy products	254	261	275	- 3	- 8
Poultry and eggs	158	194	239	-19	-34
Livestock and products	249	255	289	- 2	-14
Crops and livestock and products	235	233	265	+ 1	-11

1/ Less than one-half percent decrease.



Farm product prices in mid-January were 11 percent lower than a year earlier. Prices received for all crops averaged 8 percent lower with prices of oil-bearing crops, cotton and feed grains down the most. Prices of livestock and products were 14 percent below a year earlier, reflecting substantially lower prices received for poultry and eggs and meat animals.

With demand for farm products likely to remain strong in the next few months, average prices received by farmers are expected to remain close to the mid-January level.

The revised index of prices paid by farmers, interest, taxes and wage rates also increased about one percent from mid-December to mid-January. The index in January was 249 (1910-14=100) compared with 246 in December and 256 in January 1949. For the year 1949, this index averaged 3 percent below 1948. The rise from December to January was due mainly to increases in interest, taxes, wage rates and in prices of feeder cattle. The commodity price component of this index was 1 point higher than in December but 8 points below January 1949.

The parity ratio (the index of prices received divided by the index of prices paid, interest, taxes and wage rates) was 94 in January; down 1 point from December and 10 points from January a year ago.

#### UNITED STATES FOREIGN TRADE IN 1949

Preliminary data indicate that U. S. exports of goods and services totaled 15.8 billion dollars in 1949, about one billion dollars less than in 1948 (table 3). U. S. imports were reduced about .4 billions to 10.1 billion dollars. As a result of these changes, the export surplus (excess of exports over imports) dropped from 6.3 billion dollars in 1948 to 5.7 billions in 1949.

Table 3.- United States exports, imports, and export surplus of goods and services - 1946-1949

Period	(Billions of dollars)		
	Exports of	Imports of	Export surplus
	goods and services	goods and services	
Calendar year 1946	15.0	7.2	7.8
Calendar year 1947	19.7	8.5	11.2
1948			
1st qtr. (annual rate)	17.7	10.1	7.6
2nd qtr. (annual rate)	16.9	10.1	6.8
3rd qtr. (annual rate)	15.8	11.0	4.8
4th qtr. (annual rate)	16.8	10.7	6.1
Total 1948	16.8	10.5	6.3
1949			
1st qtr. (annual rate)	17.1	10.4	6.7
2nd qtr. (annual rate)	17.7	9.7	8.0
3rd qtr. (annual rate)	14.5	9.9	4.6
4th qtr. (annual rate)	14.1	10.3	3.8
Total 1949	15.8	10.1	5.7



The drop in exports of goods and services in 1949 occurred in the second half of the year, declining from 17.7 billion dollars (annual rate) in the second quarter to 14.5 billions in the third quarter and about 14.1 billions in the final quarter of 1949. The level of exports in the second half of 1949 was the lowest since the first half of 1946, before any of the major postwar foreign aid programs was under way. The decline in exports reflected principally the attempt of foreign countries to conserve their small reserves of dollar exchange remaining after the substantial liquidation of foreign gold and dollar balances which occurred in the second quarter. To a minor extent, widespread foreign currency devaluations in September were a factor in the further decline in U. S. exports in the final quarter of the year. This decline, however, was relatively small.

U. S. imports, on the other hand, after declining in the first half of the year, primarily due to slackening economic activity in this country, rose moderately in the second half as domestic conditions improved and foreign currencies were devalued. In the final quarter of the year, the annual rate of imports was 10.3 billion dollars compared with 9.7 billions in the second quarter.

As a result of these cross trends in exports and imports, the export surplus (excess of exports over imports) declined substantially from 8.0 billions (annual rate) in the second quarter of 1949 to 3.8 billions in the final quarter, the lowest for any quarter in the postwar period.

Table 4. - Financing of United States export surplus of goods and services in 1946-49  
(Billions of dollars)

Period	United States export surplus	Means of financing		
		Sale of gold and short-and-long-term dollar assets by foreign countries (Net)	U. S. Government grants and loans to foreign countries (Net)	Other sources and balancing item (Net) 1/
	(1)	(2)	(3)	(4)
1946 Calendar year	7.8	2.0	5.1	0.7
1947 Calendar year	11.2	4.5	5.7	1.0
1948				
1st qtr. (annual rate)	7.6	1.4	5.1	1.1
2nd qtr. (annual rate)	6.8	2.2	3.4	1.2
3rd qtr. (annual rate)	4.8	0.6	4.1	0.1
4th qtr. (annual rate)	6.1	(-) 0.8	6.0	0.9
Total 1948	6.3	0.9	4.7	0.7
1949				
1st qtr. (annual rate)	6.7	(-) 0.1	6.3	0.5
2nd qtr. (annual rate)	8.0	1.3	6.4	0.3
3rd qtr. (annual rate)	4.6	.4	5.5	(-) 1.3
4th qtr. (annual rate) 2/	3.8	(-) 1.8	5.3	.3
Total 1949	5.7	0	5.8	(-) .1

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund; net U. S. private remittance; U. S. net outflow of private long-and-short-term capital; and error or balancing item.

2/ Estimates based on incomplete data.



As shown in table 4, the sharp reduction in the export surplus resulted from a reversal from foreign liquidation of gold and dollar balances in the second quarter of the year to rebuilding of such reserves in the final quarter and from a decline in expenditures under the foreign aid programs during that period.

#### FARM INCOME

Farmers' cash receipts from marketings in January were about 2.1 billion dollars, down seasonally from December and about 10 percent below January 1949.

Farmers probably realized 1.1 billion dollars from sales of livestock and livestock products in January, or 15 percent less than January 1949. Average prices were down 11 percent. Receipts from meat animals were about 10 percent below a year ago. Marketings were a little larger and average prices for meat animals were considerably lower. Slightly larger marketings of dairy products were more than offset by lower prices, and receipts from dairy products were down a little. Marketings of eggs and poultry were larger than a year ago, but cash receipts were lower because of much lower prices.

Crop receipts in January were about 1.0 billion dollars, a little less than a year ago. Average crop prices were 8 percent lower than in January 1949. Receipts from wheat, corn, and nearly all the other grains were down because of slightly smaller marketings and lower prices. Cash receipts from cotton, oil-bearing crops, and fruits were maintained at about the level of a year ago, although prices were lower. Slightly larger cotton marketings and an increase in soybean marketings during the month held cash receipts from cotton and oil-bearing crops close to the levels of last January. Receipts from vegetables were down a little, reflecting lower prices for potatoes and sweetpotatoes. Total sales of fruit were up a little, but prices were down by about the same proportion; and receipts from fruits were close to a year ago. Tobacco receipts were above January 1949 because more tobacco was marketed this year at prices averaging about the same as a year ago.

#### LIVESTOCK AND MEAT

Prices of hogs are due to increase seasonally in the next month or two but prices of the top grades of cattle may decline somewhat. Hog prices may rise fairly rapidly because the number of hogs marketed will decline at somewhat more than the usual rate. A decline in prices of top grades of cattle would narrow the spread between prices of top and lower grades, which has recently been unusually wide.

Marketings of hogs the second week in January were nearly as large as in early December and larger than in any other January week for 6 years. Prices increased only slowly and hovered at the support guides. The USDA invited offers of pork to be purchased for price support, but as late as the week ended January 28 no purchases had been made. Offers are to be confined to smoked hams, smoked pork shoulder picnics, and bacon, and any purchases are to be used for school lunches and institutional feeding.



Support levels for hogs will increase until March, the last month for which support has been announced. Market prices may rise faster than support guides in some weeks, because of the reduction expected in the number of hogs slaughtered.

Last August and September, commercial hog slaughter was one-fourth to one-third larger than in the same months a year earlier. The percentage increase became steadily smaller in the last 3 months of 1949, and in January was probably no more than 4 percent. Cause for this tapering off of the percent gain was partly the faster rate at which hogs were fed out and marketed last fall than a year earlier. However, it also reflected the greater bunching of farrowings in early months of the 1949 spring season. Although 15 percent more sows farrowed in the spring of 1949 than of 1948, the greatest increase was in the early months. In April and May, the gain over a year earlier was only 8.6 and 3.2 percent.

The 11 percent increase in the number of sows farrowing in the fall season, compared with the fall of 1948, **was concentrated in August and September.** In June, only 1.5 percent more sows farrowed than in the same month of 1948. But the number in August was up 20.6 percent and that in September 16.3 percent. The small increase in sows farrowing in June coupled with early marketings of last spring's pigs probably will be reflected in a rather small hog slaughter for February 1950--perhaps about the same as in February last year. But in April-May; hog slaughter and pork supplies may be substantially larger than in the same months of 1949.

In January, prices at Chicago of Prime and Choice beef steers for slaughter averaged about \$7.00 per 100 pounds higher than last January, but prices of Common steers were about the same as last January. The very wide price spread between the two grades this year was due in large measure to the small supply of well-finished cattle. At Chicago in January only about 36 percent of steers were graded Good or better, compared with 66 percent in January last year. Medium steers have predominated. Later in the feeding season the supply of better grade steers will increase, and a moderate seasonal decline in their prices and a narrowed price spread are expected.

Only a few more cattle were reported on feed this January than a year ago, but the number this year sets a new record. The increase in feeding is in the Corn Belt and Texas, Western States have fewer on feed this year. Cattle on feed averaged lighter in weight this January than last, and more of them are calves. Feeders' intentions regarding marketing indicated that slaughter supplies will arrive much later this year than in 1949. Last year, marketings of fed cattle reached their peak earlier than usual.

The number of sheep and lambs on feed January 1 was down 7 percent from last year. Substantial increases occurred only in wheat pasture areas of Texas, Oklahoma and Kansas. Decreases were rather large in Iowa, Nebraska, Missouri and Indiana, and in California and a number of other Western States. The reduction in the total number on feed was due to the smaller lamb crop.



Production of pork in the first quarter will probably be a little larger than last year and production of beef a little smaller. Meat consumption per person for the quarter may be a fraction of a pound smaller than last year. Production and consumption in the second quarter, and in 1950 as a whole, are expected to be larger than last year.

#### DAIRY PRODUCTS

Prices received by farmers for manufacturing milk and butterfat will be prevented from declining significantly over the next year and a quarter, by the schedule of purchase prices announced by the Department of Agriculture in late December 1949. Purchases under this program will tend to support prices for all milk. Minimum prices of milk for fluid uses will continue to be established largely by orders and agreements under the Agricultural Marketing Act of 1937, by State Milk Control bodies. U. S. average prices of milk for fluid uses in 1949 were above average prices paid for manufacturing milk by nearly \$2.00 per hundredweight, the highest absolute difference on record. In early January, however, there were some declines in fluid markets and the U. S. average price paid by distributors was \$4.67 per 100 pounds compared with \$4.75 per 100 pounds in December and \$5.16 in January 1949.

The purchase prices announced for the different manufactured products are little different from the purchase prices in effect through much of 1949.

As compared with prewar years, wholesale prices in 1949 were highest for cheese and dry whole milk. Butter prices have increased a little less than those products, but more than prices of other fats and oils.

Average prices received by farmers in 1949 were \$4.00 per hundredweight for milk at wholesale compared with \$4.86 in 1948. The average price for butterfat in 1949 was 62.0 cents per pound, a decrease of 22 percent from the record of 80 cents in 1948. Receipts from farm marketings of dairy products in 1949 were 3 3/4 billion dollars, compared with the record of 4.4 billions in 1948 and the 1935-39 average of 1.4 billions.

Production of milk and some manufactured dairy products is increasing seasonally but withdrawals from storage are substantial for most processed items. For butter, however, current production is approaching current consumption, and demands on storage stocks are small for the winter season. However, private holdings of butter are nearly exhausted and any extensive further withdrawals would be from Government holdings. To February 1, the Department has sold back to private firms about 4 million pounds of butter.

Production of milk on farms was on an uptrend through 1949 and for that year current monthly production estimates totaled 118.3 billion pounds compared to an estimated 115.5 billion pounds in 1948. With a stable, or possibly increasing, number of cows this year, milk production probably will exceed the 1949 output. Further increases in milk supplies will continue to go mainly into manufactured dairy products, as fluid milk consumption probably will continue fairly stable.



Per capita consumption of all milk products as a group in 1949 was little changed from the 30-year low of 750 pounds reached in 1948. In prewar years, consumption was around 800 pounds per person. The reduction from prewar in total milk per person is attributed wholly to the decline in butter from 16.7 in 1935-39 to 10.0 in 1948 and 10.6 pounds in 1949. Compared with prewar, consumption of all other dairy products was greater last year.

#### POULTRY AND EGGS

Prices for poultry products were lower in mid-January than at any other time since the spring of 1946 for eggs, the fall of 1942 for chickens and the summer of 1947 for turkeys. The large current supplies of these commodities and of competing commodities - such as pork - are factors affecting the prices. The lower level of support prices for eggs this year than last also is a factor affecting the price of that commodity.

In mid-January, producers received an average of 31.3 cents per dozen for eggs. This price is 5.7 cents lower than the annual average which is the objective of the 1950 price-support program. The January price is 15.8 cents lower than the price received a year ago. Even though the support price is almost 20 percent lower than a year ago, the Department of Agriculture is receiving offers of dried eggs under its price-support program, and January purchases in 1950 totaled slightly more than 3 million pounds, about the same as in January, 1949. The 1950 contracts let in January have been at 96 cents per pound, against \$1.26 in 1949. To be strictly comparable, these prices would have to be adjusted for the fact that the 1950 quality specifications are more rigid than those of 1949.

Egg production will increase seasonally through the next three or four months, but prices are not likely to decline from present levels. After midyear, prices are likely to rise more than seasonally because it is likely that the number of hens sold or lost from laying flocks will be larger than the number of pullets added as replacements.

Chicken prices received by farmers in mid-January were 20.3 cents per pound, the lowest reported in more than seven years. No substantial rise is likely for some time because marketings of broilers from specialized producing areas will be large through at least the first three or four months of 1950, and cold-storage holdings of all classes of poultry are also large.

Turkey marketings from the large 1949 crop are about completed, except for the birds which are being held as breeders for this year's hatching. For October, 1949-January, 1950, turkey prices averaged 34.0 cents per pound. Preliminary estimates place the 1949 crop 30 percent larger than the year before, and the average price for the four principal marketing months was 28 percent lower. Through December 1949, about 1 1/2 percent of the 1949 crop was bought by the Government for price support. In July 1950, consideration will be given to additional purchases of birds slaughtered in 1949 and subsequently stored. As of January, farmers' intentions were to raise about 1 percent more turkeys in 1950 than in 1949.



## FATS AND OILS

Prices of most fats and oils, except butter and edible olive oil, advanced fractionally in January. Government purchases of about 53 million pounds of lard for Austria and Germany were a factor in supporting prices of edible fats and oils. The price of butter declined slightly, reflecting the lowering of the support price from 62 cents to 60 cents. Prices of edible olive oil continued to decline as a result of the large export surplus from the 1949 Mediterranean olive crop and in January averaged about 32 cents, imported, drums, N. Y. The index number of 26 major fats and oils (excluding butter) in January was about 145 percent of the 1935-39 average, compared with 140 percent in December 1949 and 201 in January 1949.

Imports in November were larger than for any other month since December 1948. Total imports of fats and oils, including oil equivalent of oilseeds, in January-November 1949 was 1,014 million pounds compared with 1,103 million a year earlier.

Exports of fats and oils (including the oil equivalent of oilseeds) in November totaled 194 million pounds. This was the highest since July and 84 percent higher than in November 1948, but well under the unusually high monthly average in January-July 1949. The total for January-November 1949 was 2,137 million pounds compared with 834 million pounds a year earlier. Leading items in the first 11 months of 1949 were 558 million pounds of lard, 394 million pounds of inedible tallow and greases, 545 million pounds of soybean oil and oil equivalent of soybeans, 197 million pounds of peanut oil and oil equivalent of peanuts for crushing abroad, and 107 million pounds of cottonseed oil.

## CORN AND OTHER FEED

Feed grain prices in January averaged close to the December level and were 7 percent lower than a year earlier. Prices of most of the byproduct feeds, which declined slightly from December to January, also were generally lower in January than at the beginning of 1949. During the first half of 1950 prices of feed grains and byproduct feeds probably will average near the level in that period of 1949. Last year prices of most feeds declined after reaching a high point in January.

Market receipts of corn continued below average during December and January. Terminal stocks of corn on January 1 totaled about 52 million bushels, slightly larger than the big stocks a year earlier. As was the case last year marketings of corn in 1950 probably will continue below average in the first half and the large commercial stocks probably will decline more than seasonally. Through December, farmers had placed 104 million bushels of corn under loan and purchase agreement, a little more than in the same period of 1948. During the last half of 1949 more oats and sorghum grains were placed under price support than in 1948, but less barley.

Stocks of corn, oats, and barley in all positions on January 1 totaled 97.9 million tons, 3 percent larger than the previous record holdings on January 1, 1949. Stocks of corn totaled 2,830 million bushels, 188 million



bushels larger than a year ago. The domestic disappearance of corn during October-December was 16 percent larger than in the last quarter of 1948 and one of the heaviest on record. Allowing for prospective disappearance during January-September, the corn carry-over on next October 1 **probably will be** around 10 to 15 percent larger than the 825 million bushels a year earlier.

Combined domestic disappearance of corn, oats, and barley during October-December was 12 percent larger than in that period of 1948. Heavier disappearance of feed grains this season reflects the increased number of livestock on farms and continued liberal feeding per animal.

#### WHEAT

Cash wheat prices generally continue about at or slightly below loan levels. On January 31, prices at Kansas City were about at the loan and at Minneapolis 2 cents below the loan.

While reduced exports until recently have had a weakening price effect, this has been partly offset by large quantities withheld under the loan program and continued small-scale selling by growers. Moreover, with prices continuing below loan levels, the quantity placed under loan and agreements prior to the expiration of the borrowing and option privileges on January 31, probably was heavy. Through December 31, loan and purchase agreement wheat from the 1949 crop totaled 313 million bushels. In addition, on December 31, 1949 about 4 1/2 million bushels of 1948 wheat had been resealed. Although the 1949 crop was 167 million bushels smaller than the 1948 crop, the total placed as collateral and under agreements may approach the 367 million bushels for the 1948 crop. Unless prices rise enough above the loan rate plus accrued charges to result in sizeable redemptions of loans, a very large part of the carry-over on July 1, 1950 will again be owned by CCC.

United States exports have been affected by the generally reduced demand by importing countries, following two favorable crops, and also by very limited sales to Wheat Agreement countries. Sales under the International Wheat Agreement, August 1 to January 24 totaled about 50 million bushels against the U. S. export quota of 168 million bushels for the year.

Stocks of wheat in all storage positions on January 1, 1950 were 908 million bushels, the largest for that date since 1943. Deducting the January stocks from the July 1 supplies of 1,452 million bushels (carry-over plus crop) indicates a July-December disappearance of about 545 million bushels. This compares with about 650 million bushels for the same period of both 1947 and 1948 when exports were very large. It is estimated that disappearance in the July-December 1949 period was about as follows, in million bushels: civilian and military food 258, seed 57, and feed 60, making total domestic disappearance 375; the total for exports and shipments was about 170. Disappearance for the July-June period is expected to be about as follows, also in million bushels; Food 491, seed 81, feed 115. This would make total domestic for the year ending next June 30 about 690. Exports may total about 375 million (compared with 502 million a year earlier and 486 in 1947-49), which would leave a carry-over July 1, 1950 of almost 400 million bushels, compared with 307 million a year earlier, a 10-year pre-war average (1932-41) of 235 million, and the record of 631 million in 1942.



## FRUIT

Because of reductions in supplies and stronger demand, prices received by growers for most fruits this winter are expected to advance from January levels. Citrus prices probably will continue above the prices of last winter, but prices for apples, which were sharply below a year ago in January, and possibly also pears are unlikely to rise above the levels of the first half of 1949.

Stimulated by demand of canners of single-strength orange juice and packers of frozen concentrated orange juice, grower prices for oranges advanced in January to levels moderately above prices in January 1949. Further impetus to prices was given by the prospect that supplies later in the season would be smaller than previously expected, because of the January freeze damage to oranges and other citrus in California and Arizona. Some support to prices also has been given by the Government export-payment program for fresh oranges and canned and concentrated orange juice. For the same reasons, prices are expected to advance further during winter and early spring. Through January 14 this season, about twice as many cases of orange juice had been canned as in the same part of the 1948-49 season. Sales for fresh use were considerably smaller than a year ago. Supplies of 1949-50 crop oranges remaining for marketing after January 21 were only slightly larger than those of a year earlier.

Grower prices for the short 1949-50 crop of grapefruit, which have been running much higher this fall and winter than a year earlier, declined slightly in January but remained nearly three times as high as January 1949 prices. January freezes further reduced the crop, and supplies remaining to be marketed after January 21 were moderately smaller than those of a year earlier. Continued high prices are expected this winter.

Because lemons from the small 1949-50 crop were slow in maturing, market supplies have been short especially in December and January, resulting in sharply rising prices for lemons at shipping points and at terminal markets. But as new-crop lemons became increasingly available in January prices began to decline, but they are not expected to drop below the levels of last winter.

With the January 1, 1950 cold-storage holdings of apples only moderately above the 1945-49 average for January 1 and holdings of pears moderately below average, grower prices for these two fruits probably will increase this winter. However, increases in apple prices are likely to be less than seasonal. Because January 1 stocks of apples were about 50 percent larger than the stocks of January 1, 1949, prices will continue much lower than last winter. Under the Government export-payment program for 1949-crop apples and winter pears, about 1,220,000 bushels of apples and 84,000 boxes of pears had been declared for export by January 21, 1950. Government purchases of fall and winter apples for use in the National School Lunch and institutional feeding programs totaled about 2,186,000 bushels through January 21 this season.

Cold-storage holdings of frozen fruits on January 1, 1950, were about 10 percent smaller than on January 1, 1949 and about 17 percent below the January 1 average for 1945-49.



## COMMERCIAL TRUCK CROPS

For Fresh Market

The index of prices received by farmers for commercial truck crops produced for fresh market shipment during February and March is expected to be at least moderately lower than that of a year earlier, primarily because of larger production this winter. Aggregate production of 18 crops for winter season harvest is indicated to be 14 percent larger than winter season production in early 1949, and 29 percent larger than the 1939-48 average. Outstanding exceptions to the general picture will be lima beans, snap beans, eggplant, green peppers, shallots and tomatoes. Production of these crops is from 19 percent smaller than last winter for snap beans to 50 percent smaller for green peppers. Supplies are particularly large this winter for lettuce; production is estimated to be fully one-third larger than in early 1949 and 83 percent larger than the 10-year average.

For Processing

Supplies of commercially canned vegetables in general are adequate, and retail prices this winter are expected to be slightly lower than at the same time last year. The 1949 pack of frozen vegetables was record large and current stocks in freezer storage are very large. Retail prices of frozen vegetables for the most part probably will be somewhat lower in February and March this year than in the same months last year.

Processor demand for acreage to be devoted to vegetables grown for processing in 1950 probably will be not quite as strong in 1950 as in 1949. Current stocks of frozen snap beans, broccoli, sweet corn, lima beans, spinach and canned corn appear unusually large and may indicate some weakness in distributor demand for these commodities as well as reflecting large 1949 packs.

## POTATOES AND SWEETPOTATOES

Prices received by farmers for potatoes in February and March will rise less than seasonally. The carry-over of 1949-crop potatoes on January 1, 1950 was second highest of record, both in terms of total bushels and as a percentage of the crop grown. Merchantable stocks of that date were 145 million bushels, nearly 10 million bushels more than stocks a year earlier, and much larger than the 1936-45 average of 106 million bushels. Marketings of the 1949 crop will have to be speeded up considerably in order to move the crop before the end of May when new potatoes generally dominate the market. Government purchases for price support probably will be heavy in the next few months. Purchases through January 15 totaled only 17 million bushels as against 89 million bushels bought by the same date last year.

Prices received by farmers for sweetpotatoes are expected to continue slightly below prices in the same months of last year, because of the larger supplies this year. Prices probably will rise about seasonally in February, March and April.



## DRY EDIBLE BEANS AND PEAS

The Department announced January 16, 1950 that price support for 1950-crop dry edible beans of eligible classes will be available to farmers who plant within acreage allotments. The acreage allotments will be announced at a later date. The level of support is approximately 75 percent of parity, and is calculated to reflect an average price to farmers of \$6.30 per hundredweight on a thresher-run basis for beans grading U.S. No.2 or better. Support for the 1949 crop averaged about \$6.55 per hundredweight, reflecting 80 percent of parity.

It also has been announced that there will be no price support for 1950-crop dry field peas. Ample stocks are now available to meet known requirements, which are far below the war-time demands. Acreage planted in 1949 continued substantially above prewar levels, and only unusually low yields prevented the accumulation of a larger surplus.

## COTTON

As the end of the first half of the 1949-50 season approaches, cotton appears to be in a stronger position than it was when the season began on August 1 despite an increase of 8 percent in the current estimate of the size of the 1949 crop over the August 1 indication of 14.5 million running bales.

On January 14, average prices in ten spot markets of most qualities of cotton were above those on August 1. A strong demand for the lower grades of white and spotted cottons and all grades of tinged and stained cottons has existed during recent months, with prices of some of these grades selling at the highest levels this season and well above loan levels.

Domestic mill consumption August through December was reported at 3,606,000 bales, 2 percent above the corresponding five months last season. Exports through November were reported at 1,228,000 bales, 28 percent above exports the same period last season. Contrary to expectations, devaluation of currencies has not yet resulted in either a significant increase in U.S. imports of foreign cotton textiles or a decrease in U.S. exports of cotton textiles. If this situation continues, domestic mill consumption probably will not drop below current levels for the next several months. Domestic mills are currently booked well into or through the second quarter of 1950.

Exports of raw cotton, however, probably will decrease somewhat from current levels as the season progresses. Delays in getting the ECA cotton program underway were largely avoided this year. As a result exports under the program are likely to be more evenly distributed this season than last.

Farmers have not placed cotton under loan with the CCC in 1949-50 in nearly as heavy volume as last season. As of January 5, loans had been reported on 2,487,000 bales, while to this date last year, loans had been reported on approximately 4,050,000 bales. However, a smaller volume of loans made this season may be redeemed than last. In the 1948-49 season 1,478,000 bales or 28 percent of total loans were redeemed.



## WOOL

Prices of wool in the chief exporting countries continued the advance which began shortly after devaluation in mid-September. On January 21, dollar prices of most types were from 15 to 20 percent above prices immediately before devaluation but were still below the peak levels of early 1949. Australian type 77, good topmaking wool, was quoted at 164.5 cents in bond at Boston, on January 21, 16 percent above the pre-devaluation price, but 11 percent below the price on March 5, 1949.

The 1949 wool price support program has been extended through March 31, 1950. The extension will provide the same program of support for the small amount of the 1949 shorn wool clip which remains to be marketed as provided for wool which was marketed earlier in the season.

It has been announced that price support on 1950 wool production will be at 90 percent of the parity price of wool on March 15, 1950. The schedule of support prices by grades will be announced about April 1. The purchase price schedule by grades will be on the basis of differentials established by the market prices for wool in 1949.

The average price received by farmers for shorn wool in January was 47.2 cents. This compares with 46.7 cents received in December and 48.3 cents in January of 1949.

Imports of dutiable wools during both September and October were greater than for any month since August 1948. Imports of dutiable wools during January-October 1949 totaled 117 million pounds, clean basis. This was 104 million pounds or 47 percent less than the quantity imported during the same period of 1948. Imports of duty-free wools totaled 91 million pounds, 56 percent less than during the first 10 months of 1948. Imports during October were the largest since September 1948.

Consumption of apparel wool by domestic mills during January-November 1949 totaled 307.6 million pounds, scoured basis. Consumption during this period was 31 percent below that for the same period in 1948, but 20 percent above the January-November average for 1935-39. The average weekly rate during November was 7.3 million pounds, compared with 8.4 million pounds in October and 7.4 million pounds in November 1948.

## TOBACCO

Demand for Burley was fairly strong when auctions reopened in early January following the holidays recess. However, prices declined moderately by the middle and latter half of the month. Prices averaged almost 44 cents per pound for sales in January-- nearly the same as in January a year ago. Prices for the season's sales to date have averaged a little over 45 cents per pound -- well above the support level of 40.3 cents. Quantities placed under Government loan are substantially smaller than during the 1948-49 selling season. About 6 percent of total deliveries so far this season has been received under Government loan compared with 16 percent during last season. The bulk of the 1949 crop was marketed by late January. Total supplies are at a record high and allotted acreage for 1950 will be about 10 percent less than in 1949.

The relatively strong demand for Burley during most of the season reflects the expected continuation of large cigarette consumption. Domestic



use of cigarettes totaled 352 billion in 1949--3 1/2 billion above the previous record in 1948. However, cigarette exports have fallen off and for January-November 1949 were 22 percent less than in January-November 1948.

Virginia fire-cured, type 21, continued in strong demand when auction markets resumed following the holidays. Deliveries for Government loans have been much smaller than last season. Kentucky-Tennessee fire-cured, types 22-23, auctions had their first opening this season in early January, and demand was not as strong as for the early season offerings last year. However, for the 1949 marketing season, thus far, a smaller proportion of deliveries of both types was placed under Government loan than last season. Dark air-cured tobacco, types 35-37, auctions resumed in early January with prices slightly above the pre-holiday level. A much smaller proportion of total deliveries of dark air-cured tobacco has been placed under Government loan than last season.

The level of price support for the 1949 crop of fire-cured and dark air-cured tobacco is 5 percent lower than for the 1948 crop. This lower level of price support reflects the decline in the index of prices paid by farmers from September 1948 to September 1949. Auction prices received for the various types of fire-cured and dark air-cured tobacco for the 1949 season through late January compared with those for the similar period a year earlier, and also the 1949 support level, are as follows:

Type number	: <u>Average price through late January</u> :		<u>Level of price support</u>	
	: <u>1948</u> :		<u>1949</u>	
	: <u>Cents per pound</u> :		<u>Cents per pound</u>	
21	33.0	33.6	30.2	
22	32.1	30.6	30.2	
23	29.7	24.8	30.2	
35	29.8	27.6	26.9	
36	26.6	27.8	26.9	
37	32.0	31.2	26.9	

Tax-paid withdrawals of smoking and chewing tobacco in 1949 totaled 194 million pounds compared with 200 million pounds a year earlier. Practically all the decline occurred in chewing as smoking consumption was almost the same as in 1948. Consumption of snuff, the chief domestic outlet for fire-cured tobacco, was 41 million pounds in 1949--about the same as a year earlier.

Cigar consumption as indicated by tax-paid withdrawals, totaled 5,587 million in 1949 compared with 5,775 million in 1948.

Exports of unmanufactured tobacco during January-November 1949 totaled 447 million pounds--one-fifth larger than the January-November total of 1948. The bulk of the British purchases from the 1949 flue-cured crop was shipped during July-November. Much larger shipments went to Germany in 1949 than in 1948. ECA financial assistance has been an important factor affecting tobacco exports to western European countries. Flue-cured exports since July 1, the beginning of the marketing year, have been 23 percent larger than in the July-November period of 1948. Exports of tobacco during 1950 are likely to be a little lower than in 1949 as further efforts are made by European countries to conserve dollars.



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